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20 October 2020

Review of Domestic Waste Management Charges

Independent Pricing and Regulatory Tribunal

PO Box K35

Haymarket Post Shop

SYDNEY NSW 1240

Dear Sir or Madam

Review of Domestic Waste Management Charges

Lismore City Council thanks IPART for the opportunity to provide written comment on the discussion paper for Local Council Domestic Waste Management (DWM) Charges.

Lismore City Council undertakes its own domestic waste collection using day labour and Council owned collection trucks. The wastes collected are delivered to the Lismore Recycling and Recovery Centre where the waste is sent to landfill at the Lismore Landfill, the recycling is processed in the Lismore Materials Recovery Facility and the organics are composted at the Lismore Compost Facility. Council has always used the Council day labour model and has allowed Council to control the waste collection system from household to disposal/processing.

It is important that IPART considers the administration impact additional reporting has on Local Government. It would be important that any reporting is incorporated within current reporting requirements.

The ability for Lismore City Council to benchmark costs and services against other Local Governments will be useful as long as the data is comparable and differences in each Local Governments collection system can be reflected in the data.

Lismore City Council maintains a DWM reserve and keeps a waste collection budget separate from other waste operations. DWM is budgeted for cost recovery and if a budget surplus is acquired the funds spent on DWM programs such as bin upgrades.

Lismore City Council provides the following specific comments on the questions listed in the discussion paper:

Question 1: Is it a concern that DWM charges appear to be rising faster than the rate peg? Are there particular cost-drivers that may be contributing to this?

Response: In recent times there has been a number of factors that have resulted in increased waste disposal and processing costs that have put upwards pressure on DWM charges. Many of these factors are outside the control of the Council and result in increased disposal or process costs of the waste collected. These include:

The waste levy. The NSW waste levy in the regional regulated area increased at a cost of \$10 plus CPI a year for the first few years post the introduction of the levy. This increase was well above any rate peg or CPI and caused DWM charges for residents and businesses to increase rapidly over a few years.

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Lismore City Council acknowledges the people of the Bundjalung Nation, traditional custodians of the land on which we work.

The table below shows the annual landfill levy amount, the amount paid by the Lismore Community to the NSW Government in landfill levy, the amount received back either as an annual payment (through the better waste recycling fund program) and the overall impact on the community.

Year	Landfill levy amount per tonne	Landfill ley paid by the Lismore Community	BWRF received back by Lismore Community	Net cost to Lismore Community
2009/10	\$10.00	\$253,990.40	\$82,653.89	\$-171,336.51
2010/11	\$20.40	\$477,385.29	\$164,757.27	\$-312,628.02
2011/12	\$31.10	\$532,448.17	\$256,886.00	\$-275,562.17
2012/13	\$42.40	\$790,940.61	\$416,184.61	\$-374,756.00
2013/14	\$53.70	\$1,193,243.00		\$-1,193,243.00
2014/15	\$65.40	\$2,035,878.00		\$-2,035,878.00
2015/16	\$76.70	\$2,521,831.00		\$-2,521,831.00
2016/17	\$78.20	\$2,574,392.00	\$130,353.70	\$-2,444,038.30
2017/18	\$79.60	\$2,822,561.00	\$89,933.34	\$-2,732,627.66
Total		\$13,202,669.47	\$1,140,768.81	\$-12,061,900.66

The rapid increase in the landfill levy amount between 2009 and 2015 caused DWM charges to increase far beyond rate peg.

China Sword policy. The China Sword policy caused the value of many recyclable products to fall over night. Councils were reliant on overseas markets for the disposal or processing of recycling. This put the viability of material recovery facilities (MRF) to process recycling into question and Councils were left to soak up the costs. The result was the need to increase contamination restrictions on kerbside recycling and increase gate fees at MRFs in order to maintain facility viability. Both of these have added to the cost of processing kerbside recycling and has resulted in increased pressure to the DWM charge.

Container Deposit Scheme (CDS). The introduction of the CDS in NSW has also impacted on the DWM charges. During the introduction of the CDS many Councils negotiated new gate fees and refund sharing deals with the MRF operators.

Increased compliance. Increased levels of compliance from the EPA at waste facilities and recycling facilities have added to the costs of managing waste and these costs are passed onto Councils that in turn are added to DWM charges.

Compliance changes. The EPA has made compliance policy changes mid-way through major capital projects. This has resulted in redesign of projects and infrastructure at significant costs. Examples include changing landfill batter requirements (resulting a reduction in the life of the landfill cell) and changing the specification for rehabilitating landfill using phytocaps. For example, in 2013 Council build a phytocap to cap a landfill approved by the EPA at a cost of \$230,000. Changes in the guidelines for phytocaps from the EPA means that a similar phytocap today will cost \$2.4 million. It is increased costs like these that put upward pressure on DWM charges.

Question 2: To what extent does the variation in services and charges reflect differing service levels, and community expectations and preferences across different councils?

Response: There are significant variations in the services offered by Local Government across NSW. These variations include collection frequency, bin size, types of bins offered and differences as to what goes in each bin.

Some Councils do not offer kerbside food and garden organics bins and some only offer a green waste bin service or do not offer a solution for organic waste at all. This needs to be taken into account when comparing Councils DWM charges. One Council offers a spilt waste and recycling bin and other Councils use crates for collection recycling as opposed to bins.

Councils allow residents to put differing items in their recycling bins dependant on where the recycling is processed. This will depend on the processing facility used for the recyclable material.

Councils offer different sized bins and collection frequencies for waste streams. Bin sizes and frequency.

Many rural Councils provide waste collections to out of town farms and properties. The charge for these collections is generally higher and reflects the distances travelled.

The NSW EPA keeps records of the types of services, combinations, bin sizes and collection frequencies and requires this data is reported annually.

Community preferences and strategies around recycling will also create variation in costs across NSW. A community may want a Council to introduce innovative recycling programs that come at a high cost and be willing to pay more for such services.

The extent to which the Council operates/owns waste and recycling infrastructure will also result in variation. If one Council owns a large landfill and can landfill cheaply compared to a neighbouring Council that does not have landfill and has to transport waste long distances for disposal.

Question 3: Is there effective competition in the market for outsourced DWM services? Are there barriers to effective procurement?

Response: There is variability in the competition for waste collection across the State. In the City area there are a number of contractors who compete for services. In regional and rural areas there may be a single operator or there may not even be an operator and services must be provided by the Council.

The introduction of the CDS has seen Cleanaway expand its operations across the State and now beginning to compete for collection services in new areas.

Where there is a single operator in a region the Council may not get the best outcomes for the community during a procurement process. In this case it would be important for a Council to consider providing the service using Council day labour or at least model the costs. Joint venture with private providers are not common.

Question 4: Are overhead expenses for DWM services appropriately ring-fenced from general residential rates overhead expenses?

Response: At Lismore City Council the DWM is given a separate budget area and operates as a restricted reserve.

Overheads are calculated for the provision of the domestic waste collection and a corporate charge is applied to the budget area (as per all other Council budget areas) to cover corporate costs such as human resources, information technology, customer service and finance.

Councils independent audits work with Council to ensure costs that make up the DWM budget area are reasonable.



Question 5: If IPART was to regulate or provide greater oversight of DWM charges, what approach is the most appropriate? Why?

Response: Lismore City Council would prefer the less intrusive option proposed in the discussion paper. This option allows for variation across the State to be reflected and accounted for.

Question 6: Are there any other approaches that IPART should consider?

Response: Lismore City Council believes the benchmarking and comparison between Councils offering similar services, in similar geographic area is a good tool and will be very useful for Local Governments.

IPART should also consider benchmarking the returns providers to Councils from the collected waste, including CDS refund sharing arrangements.

Question 7: If a reporting and benchmarking approach was adopted, how could differences in services and service levels, as well as drivers of different levels of efficient cost, be accounted for?

Response: Obviously it is important to compare like to like Councils and services. One option is to compare on the basis of cost per lift for each bin type/waste stream or the amount of waste levy paid.

Other considerations could be the tonnes processed per year and population (permanent population base, tourism population base, average number of people per household).

This approach would need to normalise any shared arrangements between Councils.

Question 8: Is there merit in IPART's proposed approach to developing a reporting, monitoring and benchmarking approach and pricing principles for setting DWM charges? Is it likely to be an effective approach? Why/why not?

Response: Lismore City Council believes there is strong merit in the proposed approach to developing a reporting, monitoring and benchmarking approach and pricing principles for setting DWM charges.

This will be effective as long as it is simple and makes allowances for the significant variation between Councils. It will be important that it also makes allowance for the starting point of each Council areas pricing and should be a guide for ongoing changes.

Question 9: Would IPART's proposed approach be preferable to audits of local councils' DWM charges by OLG?

Response: Lismore City Council prefers the proposed approach to developing a reporting, monitoring and benchmarking approach and pricing principles for setting DWM charges as this will require less work by the individual Council. The benchmarking will also allow the community to make comparisons which is important.

Question 10: Are there any issues that should be considered with regards to developing an online centralised database for all NSW councils' DWM charges to allow councils and ratepayers to benchmark council performance against their peers?

Response: The main issue will be the differences in services levels, difference between city and regional/rural areas, and starting prices will be accounted for. Lismore City Council is aware that some other Councils develop cost models using different components and costs compared to other Councils.

Different the significant variations in service levels and costs across NSW any comparison tool may not be useful for ratepayers to compare their Councils to others.



Local Government publish their DWM charges as part of their annual budget deliberations. There however there may need to be additional information provided to breakdown the costs.

The other major issue is the return of the waste levy to Councils which can offset DWM costs or be used to implement more cost effective disposal and recycling processing to reduce costs.

Question 11: Do you agree with IPART's proposed pricing principles? Why/why not?

Response: Lismore City Council supports the proposed DWM pricing principles. Lismore City Council already applies many of the principles to how it deals with DWM charges.

Council ensures that the prices reflect a user pays approach. This has been done by working out the costs of providing the DWM service and dividing this cost by the number of services. The aim for the budget is cost recovery.

Council ensures that only reasonable costs are budgeted to the DWM budget and this is audited by the Councils external auditors. The costs and allocations of costs are reviewed annually.

Lismore City Council believes its DWM costs are efficient. A review of DWM collection runs has illustrated that there is no more efficient way of undertaking its collections.

The annual DWM charges are advertised to the public as part of the budget process annually and this includes a break down of the number of each service provided and a description of each service so residents are aware of the service they are paying for.

Council works to ensure that the DWM charges increase annually as close to CPI as possible. In some years this may not be possible due to external factors.

Question 12: Are there any other pricing principles or issues that should be considered?

Response: No response.

Question 13: Could a centralised database and display of key elements of all successful DWM service contracts (eg, name of tenderer, service provided and contract amount) assist councils in procuring efficient services? If not, why not?

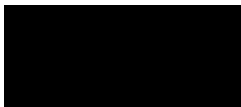
Response: This would only work if Councils released the pricing data. Some Councils treat resolutions of these contracts as confidential and so this data may not be released.

A data base of successful contacts would be a useful comparison tool even for Councils that use their own day labour to deliver DWM.

The data for comparison would need to reflect difference in service type and be really clear to allow appropriate comparison to occur.

Should you require any further information, please do not hesitate to contact Kevin Trustum, Councils Business Manager – Commercial Services on 1300 87 83 87.

Yours faithfully



Peter Jeukeff^{cosign}
Director Infrastructure Services

